

**CHINA GROWTH OPPORTUNITIES LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2011**

## INVESTING POLICY

The Investing Policy of the Company is to manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2011.

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## KEY POINTS

- Return of capital to Ordinary Shareholders of £3million for the year (6p per Ordinary Share).
- In specie distribution to Ordinary Shareholders of the majority of the Company's holding in China CDM Exchange Centre at the start of August 2011.
- Net assets at 31 March 2011 of £1.8 million (2010: £6.3 million).
- Net assets per share at 31 March 2011 of 3.55p (2010: 12.52p).
- Sale of holdings in China Metal Packaging and Dalian Business Institute and partial sale of the holding in China CDM Exchange Centre during the year ended 31 March 2011 for £3.8 million.

[www.chinagrowthopportunities.com](http://www.chinagrowthopportunities.com)

An authorised closed-ended investment company, incorporated under  
The Companies (Guernsey) Law, 2008, as amended.

REGISTERED IN GUERNSEY No. 44403

## CHAIRMAN'S STATEMENT

I am pleased to have the opportunity to present the annual report and financial statements of China Growth Opportunities Limited (the "Company") for the year ended 31 March 2011.

### Results

The net asset value of the Company at 31 March 2011 was £1.8 million (2010: £6.3 million), equal to 3.55p per Ordinary Share (2010: 12.52p per Ordinary Share). The 72% decrease in net asset value from 31 March 2010 was due to the £3.0 million return of capital to shareholders and the £1.5 million net loss for the year under review (2010: loss £9.3 million), representing a loss per Ordinary Share of 2.97p (2010: loss of 18.52p), which arose primarily from the downwards revaluation of the Company's investments in China CDM Exchange Centre Limited ("CCEC") and Wan Wei Oil & Gas Technology ("Wan Wei").

### Investing Policy

The Investing Policy of the Company is to manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2011. It is proposed to extend this policy for a further 12 months to allow the Directors time to attempt to realise value from CCEC and Wan Wei.

### Return of Capital

On 31 January 2011 the Company made a return of capital to shareholders of 6.00p per Ordinary Share (equivalent to £3.0 million). On 8 June 2011, the Board announced that the Company would pay a further return of capital of 1.50p per Ordinary Share to shareholders on 6 July 2011.

We have actively sought to dispose of the Company's holding in China CDM Exchange Centre Limited ("CCEC"). Since November 2010, all efforts to seek trade, corporate or investment buyers have been unsuccessful. Therefore, the Board attempted to distribute the majority of the Company's holding in CCEC to the Company's shareholders. However, the management of CCEC refused to sanction the transfer of shares, which was in breach of PLUS Rule 3, and as a result, on 24 March 2011, CCEC was suspended from trading on PLUS. This transfer was recently resolved, and, on 28 July 2010, the Company announced that it was to distribute 9,364,963 shares in CCEC by way of a distribution in specie to shareholders in the Company. Accordingly, 9,364,963 shares in CCEC, being the bulk of the Company's holding, have been transferred to shareholders in the Company who were on the register as at 5 p.m. on 4 July 2011. Shareholders will have received 0.1873 CCEC shares for every 1 China Growth Opportunities Limited Ordinary Share held. Based on the mid-market price per CCEC share of 3.5p as at close of business on 27 July 2011, this return of capital is equal to approximately 0.65 pence per China Growth Opportunities Limited Ordinary Share. Given that the transfer has now taken place, we expect CCEC's suspension from trading on PLUS to be lifted shortly.

Fractional entitlements were not issued to the Company's shareholders and all fractional entitlements to which holders of the Company's shareholders would have become entitled were rounded down and retained by the Company. The Company has retained 4,937 shares in CCEC as a result of these fractional entitlements.

We will continue to try to dispose of the remaining investments and return funds to shareholders. Any further returns of capital will be at the discretion of the Board and will be subject to the rate at which the Company's investments are realised and the Company's financial position at the time.

### Investments

During the year ended 31 March 2011, the Company sold its entire holding in China Metal Packaging Group Company Limited ("CMP") back to CMP for US\$6 million (£3.8 million) and, as a result of the sale, Brett Miller stepped down from CMP's board of directors. In addition, during the year, the Company sold its entire holding in Dalian Business Institute Limited for US\$10,000 and 502,600 shares in CCEC for £77,000. The investment in China Real Estate Services Limited was liquidated but, as the liquidation costs were greater than the proceeds, no distribution was received.

The proceeds from the sale of these investments were £0.2 million below the 31 March 2010 "fair value" of these investments and a loss of £5.6 million compared to cost was realised on their disposal.

At 31 March 2011 the Company held three investments, which cost £7.7 million (31 March 2010: six investments which cost £17.1 million). At 31 March 2011, these investments had a fair value of £0.2 million (2010: £5.1 million).

The valuation of CCEC fell by 77% in the year under review. On 31 December 2010, a co-operation agreement expired between CCEC and a Chinese emissions broker. This Chinese emissions broker accounted for more than 60% of CCEC's revenue in 2010 and had previously subcontracted all services relating to all of its existing and future CDM projects to CCEC. A new co-operation agreement has not been signed and on 24 March 2011, CCEC was suspended from trading on PLUS, following a breach of PLUS Rule 3, but, as mentioned above, we expect CCEC's suspension from trading on PLUS to be lifted shortly.

## **CHAIRMAN'S STATEMENT (continued)**

On 9 July 2010, the Company agreed to sell its entire holding in Wan Wei for a total of US\$750,000, which was due in three equal instalments in September 2010, December 2010 and March 2011. The company did not receive any of the instalments and the sale did not proceed. Although the convertible loan note is due in May 2012, the Directors do not believe that Wan Wei will be in a position to redeem the loan note on even a partial basis. As the result of bad debt problems, Wan Wei lacks sufficient working capital to advance the business and at 28 February 2011, had less than US\$130,000 in gross cash balances. On the basis of the aborted sale and the likely inability of Wan Wei to even partially redeem the convertible loan note given its financial position, we have written-down the value of the Company's interest in Wan Wei to nil.

Our approach to the valuation of the Company's investments reflects our view of fair value being the value at which your investments could have been exchanged between knowledgeable, willing parties in an arm's length transaction at the reporting date.

### **Outlook**

As a Board we are further reducing operating costs through service provider contract re-negotiations and other overhead reductions. Our objective is to realise assets at the appropriate time and value, and to return the proceeds less expenses to our shareholders. I am hopeful that there will be further progress to report in the near future.

Respectfully yours

R Davies  
2 August 2011

**INVESTMENT PORTFOLIO**  
as at 31 March 2011

<i>Company</i>	<i>Activity/Sector</i>	<i>Listing</i>	<i>Country of incorporation</i>	<i>Fair value</i>	
				<i>2011</i>	<i>2010</i>
				<i>£'000</i>	<i>£'000</i>
China CDM Exchange Centre	Carbon credit brokerage	PLUS - suspended	Jersey	187	812
Wan Wei Oil & Gas Technology Group	Energy	Not quoted	BVI	-	313
China Solar Energy Company Limited	Clean technology	Not quoted	Jersey	-	-
				-----	-----
				187	1,125
				-----	-----
Investments sold in the year ended 31 March 2011					4,021
					-----
					5,146
					-----

*Details of the above investments are available at [www.chinagrowthopportunities.com](http://www.chinagrowthopportunities.com).*

## DIRECTORS

**Rhys Davies** (*Executive Chairman*)

Rhys is a General Partner of Damille Partners, which he established in October 2008 with Brett Miller (with each holding a 50% partnership interest).

Rhys is also an Executive Director of Damille Investments Limited and Damille Partners Limited. Rhys presently serves as a Non-Executive Director of Rapid Realisations Limited, EIH plc and Loudwater Trust Limited.

Rhys holds degrees from the University of Wales, Cardiff, and Imperial College, London, as well as the CFA designation.

**Brett Miller** (*Executive Director*)

Brett is a General Partner of Damille Partners, which he established in October 2008 with Rhys Davies (with each holding a 50% partnership interest).

Brett is also an Executive Director of Damille Investments Limited and Damille Partners Limited. Brett presently serves as a Non-Executive Director of Rapid Realisations Limited, EIH plc and Loudwater Trust Limited.

Brett also serves as a Non-Executive Director of Pactolus Hungarian Property PLC, an AIM quoted property fund, as well as serving as the Non-Executive Chairman of Globo PLC, an AIM quoted IT services provider.

Brett graduated from the University of the Witwatersrand (South Africa) with a bachelors degree majoring in law and economics and additionally holds a law degree from the London School of Economics (after having relocated to the United Kingdom in 1988).

**Dr Weiming Zhang** (*Non-Executive Director*)

Dr Zhang has over sixteen years of experience in the investment banking business in Asia with a focus on China. From 1994 to 1999, Dr Zhang worked in the corporate finance division of Merrill Lynch (Hong Kong) and later in the corporate finance division at Deutsche Morgan Grenfell (Hong Kong) as the Director responsible for coverage and execution of overseas IPOs. Dr Zhang returned to Shanghai in 2000 and became Managing Director of First Alliance Capital, whose clients include leading consumer goods companies, auto and manufacturing companies, and power and energy companies.

Dr Zhang received her Ph.D. degree from Columbia Business School in New York, a Master of Science degree from the University of Kentucky and a Bachelor degree in Computer Science from Southwest University of China.

## REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report and financial statements for the year ended 31 March 2011.

### Status and Activities

The Company is an authorised closed-ended investment company domiciled and incorporated as a limited liability company in Guernsey.

The registered office of the Company is No 1. Le Truchot, St Peter Port, Guernsey, GY1 3JX.

The Company's Investing Policy is to manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2011.

### Revenue

The results attributable to shareholders for the year and the transfer to reserves are shown on page 11. The Company made a loss for the year of £1.5 million (2010: loss of £9.3 million), a loss per Ordinary Share of 2.97p (2010: loss of 18.52p).

### Dividends and Return of Capital

The Company did not pay any dividends during the year (2010: nil) and the Directors do not propose a final dividend for the year (2010: nil).

On 31 January 2011 the Company made a return of capital to shareholders of 6.00p per Ordinary Share (equivalent to £3.0 million). On 8 June 2011, the Board announced that the Company would pay a further return of capital of 1.50p per Ordinary Share to shareholders on 6 July 2011.

We have actively sought to dispose of the Company's holding in China CDM Exchange Centre Limited ("CCEC"). Since November 2010, all efforts to seek trade, corporate or investment buyers have been unsuccessful. Therefore, the Board attempted to distribute the majority of the Company's holding in CCEC to the Company's shareholders. However, the management of CCEC refused to sanction the transfer of shares, which was in breach of PLUS Rule 3, and as a result, on 24 March 2011, CCEC was suspended from trading on PLUS. This transfer was recently resolved, and, on 28 July 2010, the Company announced that it was to distribute 9,364,963 shares in CCEC by way of a distribution in specie to shareholders in the Company. Accordingly, 9,364,963 shares in CCEC, being the bulk of the Company's holding, have been transferred to shareholders in the Company who were on the register as at 5 p.m. on 4 July 2011. Shareholders will have received 0.1873 CCEC shares for every 1 China Growth Opportunities Limited Ordinary Share held. Based on the mid-market price per CCEC share of 3.5p as at close of business on 27 July 2011, this return of capital is equal to approximately 0.65 pence per China Growth Opportunities Limited Ordinary Share. We expect CCEC's suspension from trading on PLUS to be lifted shortly.

Fractional entitlements were not issued to the Company's shareholders and all fractional entitlements to which holders of the Company's shares would have become entitled were rounded down and retained by the Company. The Company has retained 4,937 shares in CCEC as a result of these fractional entitlements.

We will continue to try to dispose of the remaining investments and return funds to shareholders. Any further returns of capital will be at the discretion of the Board and will be subject to the rate at which the Company's investments are realised and the Company's financial position at the time.

### Investments

During the year ended 31 March 2011, the Company sold its entire holding in Dalian Business Institute Limited for \$10,000 (£7,000) and 502,600 shares in China CDM Exchange Centre Limited ("CCEC") for £77,000. The investment in China Real Estate Services Limited was liquidated but, as the liquidation costs were greater than the proceeds, no distribution was received. At 31 March 2011 the Company held three investments, which cost £7.7 million (31 March 2010: six investments which cost £17.1 million). At 31 March 2011, these investments had a fair value of £0.2 million (2010: £5.1 million).

### Taxation

The Company has been granted exemption from Guernsey taxation under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that the Company is exempt from Guernsey taxation on income arising outside Guernsey and bank interest receivable in Guernsey. The Company's Guernsey tax liability is therefore limited to a fixed fee of £600 per annum.

## REPORT OF THE DIRECTORS (continued)

### Share Capital

The Company has the authority to buy back up to 14.99% of the Ordinary Shares in issue for cancellation. No Shares were purchased for cancellation during the year (2010: nil). The Company intends to seek to renew the necessary authorities to buy back Ordinary Shares at the forthcoming Annual General Meeting.

The Company is also able to purchase up to 10% of the Ordinary Shares in issue and hold them as Treasury Shares.

### Material Contracts

The Company's material contracts are with Elysium Fund Management Limited ("Elysium") which acts as Administrator and Secretary, Butterfield Bank (Guernsey) Limited, which acts as Custodian, Capita Registrars (Guernsey) Limited, which acts as Registrar and Singer Capital Markets Limited, which acts as Nominated Adviser and Broker. Details of the fees payable to Elysium are disclosed in note 7.

### Directors

The present members of the Board are listed on the inside back cover of this report. Mr Davies, Mr Miller and Dr Zhang served as Directors throughout the year under review.

There are no service contracts in place between the Non-Executive Director or the Executive Directors and the Company.

Mr Davies and Mr Miller each hold 50% of Damille Partners II, which held 5,100,000 Ordinary Shares (10.20%) at 31 March 2011 and the date of signing this report. In addition, Damille Partners Limited (which is equally owned by the respective family interests of Mr Davies and Mr Miller) held 4,651,920 Ordinary Shares (9.30%) at 31 March 2011 and the date of signing this report. Mr Davies and Mr Miller had no interest in the Warrants of the Company at 31 March 2011 and at the date of signing this report. Dr Zhang had no interest in the Ordinary Shares of the Company at 31 March 2011 and the date of signing this report.

### Substantial Interests

On 28 July 2011 the following interests in 3% or more of the issued Ordinary Shares had been notified to the Company:

<i>Funds managed by:</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Share Capital</i>
Weiss Asset Management	11,884,336	23.77%
Damille Partners and Damille Partners II	9,751,920	19.50%
QVT Financial	9,369,796	18.74%
Newton Investment Management	6,602,612	13.21%
Schroder Investment Management	2,437,272	4.87%
SVM Asset Management	2,000,000	4.00%

### Corporate Governance and Directors' Remuneration

As a Guernsey incorporated company and under the AIM Rules for Companies, the Company is not required to comply with the Combined Code published by the Financial Reporting Council (the "2008 FRC Code"). However, the Directors place a high degree of importance on ensuring that high standards of Corporate Governance are maintained. As a result, many of the principles set out in the 2008 FRC Code have been adopted and these are summarised below, together with the areas of non-compliance.

The Company complied throughout the year with the provisions of the 2008 FRC Code, except in the following aspects:

- A.3.3 The Board does not consider it necessary to appoint a senior independent Director, given the structure of the Board.
- A.4.4 The terms and conditions of appointment of the Directors are not available for inspection as the Board did not deem it necessary to formalise the terms and conditions of appointment or to sign letters of appointment.
- Since the Directors did not formalise letters of appointment and as the schedule of Board and Committee meetings is subject to change according to the exigencies of the business, the Directors do not have fixed time commitments. All Directors are expected to demonstrate their commitment to the work of the Board on an ongoing basis.
- A.6.1 The Board did not undertake a formal performance review of the Board, its Committees or the individual Directors during the period. The Board decided that this was not appropriate given the nature of the Company.
- A.7.2 The Directors are not appointed for specific terms as this was not felt to be appropriate for the size and nature of the Company.

**REPORT OF THE DIRECTORS (continued)****Corporate Governance and Directors' Remuneration (continued)**

B.2.1 The Board has not established a Remuneration Committee as it is not considered to be appropriate for the size of the Board.

**Board Responsibilities**

The Board currently comprises one Non-Executive Director, Dr Zhang, who is independent, and two Executive Directors Mr Davies and Mr Miller.

The Board has engaged external companies to undertake the administrative and custodial activities of the Company. Clearly documented contractual arrangements are in place with these service providers which define the areas where the Board has delegated responsibility to them. The Company holds at least four Board meetings per year, at which the Directors review the Company's investments and all other important issues to ensure control is maintained over the Company's affairs.

The Company is self-managed, in that day-to-day investment management recommendations are made by the Executive Directors (Mr Davies and Mr Miller), in consultation with the Non-Executive Director.

The Board has not stated how it has applied B.1 to B.3 of the 2008 FRC Code on directors' remuneration. However, the fee that was paid to each Director during the year is shown in note 8.

**Board Committees**

The Company uses a number of Committees to control its operations. Each Committee has formal written terms of reference which clearly define their responsibilities.

*Audit Committee*

Mr Miller is Chairman of the Audit Committee. Mr Davies and Dr Zhang are members of the Audit Committee.

The Committee meets at least twice a year and provides a forum through which the Company's Auditors report to the Board. The Audit Committee examines the effectiveness of the Company's internal controls, the Annual Report and Financial Statements, the Half-Yearly Report and Financial Statements, the Auditors' remuneration and engagement as well as the Auditors' independence and any non-audit services provided by them. The Audit Committee receives information from the Administrator, the Secretary and the Auditors. The Audit Committee has formal written terms of reference, which are available upon request from the Secretary.

*Nomination Committee*

Mr Davies is Chairman of the Nomination Committee. The Nomination Committee has formal written terms of reference. Mr Miller and Dr Zhang are also members of the Nomination Committee. The Committee meets at least once a year. The function of the Nomination Committee is to consider the appointment and reappointment of Directors.

**Board Meetings**

All members of the Board are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance is unavoidable in certain circumstances. The Board holds one Board meeting per annum in China (including Hong Kong). Directors' attendance at Board and Committee meetings during the financial year is set out below.

	<i>Board Meetings</i>	<i>Committee Meetings</i>
Rhys Davies ( <i>Chairman</i> )	6/6	2/2
Brett Miller	5/6	2/2
Weiming Zhang	1/6	0/2

**Dialogue with Shareholders**

The Directors are always available to enter into dialogue with shareholders. All ordinary shareholders will have the opportunity, and indeed are encouraged, to attend and vote at future Annual General Meetings during which the Board will be available to discuss issues affecting the Company. The Board stays abreast of shareholders' views via regular updates from the Executive Directors and the Nominated Adviser as to meetings they may have held with shareholders.

The Board monitors the trading activity and shareholder profile on a regular basis and maintains contact with the Company's Broker to ascertain the views of shareholders. Shareholder sentiment is also ascertained by the careful monitoring of the premium/discount that the Ordinary Shares are traded in the market when compared to those experienced by similar companies.

**REPORT OF THE DIRECTORS (continued)****Dialogue with Shareholders (continued)**

The Company reports formally to shareholders twice a year and a proxy voting card is sent to shareholders with the Annual Report and Financial Statements. Additionally, current information is provided to shareholders on an ongoing basis through the Company website. The Secretary monitors the voting of the shareholders and proxy voting is taken into consideration when votes are cast at the Annual General Meeting.

**Litigation**

The Company is not engaged in any litigation or claim of material importance, nor, so far as the Directors are aware, is any litigation or claim of material importance pending or threatened against the Company.

**Going Concern**

After making reasonable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Although the Directors intend to manage the sale of the Company's portfolio and maximise the return of invested capital to shareholders during the period ending on 30 September 2011, they do not consider there to be any threat to the going concern status of the Company. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**Internal Control and Financing**

The Board is responsible for establishing and maintaining the Company's system of internal control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or loss. The key procedures which have been established to provide effective internal controls are as follows:

- Elysium is responsible for the provision of administration and company secretarial duties.
- The duties of accounting and the custody of assets are segregated. The procedures are designed to complement one another.
- The Board clearly defines the duties and responsibilities of the agents and advisers in the terms of their contracts.
- The Board reviews financial information produced by the Administrator on a regular basis.

The Company does not have an internal audit department. All of the Company's management functions are delegated to independent third parties and it is therefore felt that there is no need for the Company to have an internal audit facility.

The Board feels that the procedures employed by the service providers adequately mitigate the risks to which the Company is exposed.

**Financial Risk Profile**

The Company's financial instruments comprise investments, cash and cash equivalents, and various items such as receivables and payables that arise directly from the Company's operations.

The main risks arising from holding these financial instruments are market risk (including price risk, currency risk and interest rate risk), credit rate risk and liquidity risk. Further details are given in note 23 to the financial statements.

**Independent Auditors**

PricewaterhouseCoopers CI LLP has expressed its willingness to continue to act as Auditors to the Company and a resolution for its reappointment will be proposed at the forthcoming Annual General Meeting.

**Statement of Directors' Responsibilities**

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards, of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

## **REPORT OF THE DIRECTORS (continued)**

### **Statement of Directors' Responsibilities (continued)**

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of The Companies (Guernsey) Law, 2008, as amended. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the website on which these financial statements are published. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

### **Disclosure of Information to Auditors**

The Directors who held office at the date of approval of this Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditors are unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

On behalf of the Board.

R Davies  
2 August 2011

B Miller  
2 August 2011

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF CHINA GROWTH OPPORTUNITIES LIMITED**

**Report on the Financial Statements**

We have audited the accompanying financial statements of China Growth Opportunities Limited (“the Company”) which comprise the Statement of Financial Position as of 31 March 2011 and the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory information.

**Directors' Responsibility for the Financial Statements**

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of Guernsey law. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 March 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

**Report on other Legal and Regulatory Requirements**

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Investing Policy, the Key Points, the Chairman's Statement, the Investment Portfolio, the Directors, the Report of the Directors, the Notice of Annual General Meeting, the Form of Proxy and the Directors and Advisers.

In our opinion the information given in the Report of the Directors is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers CI LLP  
Chartered Accountants  
Guernsey, Channel Islands  
2 August 2011

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 March 2011

	<i>Note</i>	<i>Year ended 31 March 2011 £'000</i>	<i>Year ended 31 March 2010 £'000</i>
<b>Investment gains and losses</b>			
Net unrealised change in fair value of investments	<i>13</i>	4,453	3,412
Realised loss from sale of investments	<i>13</i>	(5,565)	(11,303)
		-----	-----
<b>Total investment losses</b>		<b>(1,112)</b>	<b>(7,891)</b>
<b>Income</b>			
Other income	<i>6</i>	3	7
		-----	-----
<b>Total income</b>		<b>3</b>	<b>7</b>
<b>Expenses</b>			
Directors' remuneration	<i>8</i>	(117)	(179)
Administration fees	<i>7</i>	(119)	(170)
Other expenses	<i>9</i>	(141)	(395)
Investment Consultant's fee		-	(140)
		-----	-----
<b>Total expenses</b>		<b>(377)</b>	<b>(884)</b>
Loss on foreign currency exchange		-	(491)
		-----	-----
<b>Loss for the year</b>		<b>(1,486)</b>	<b>(9,259)</b>
<b>Other comprehensive income</b>			
Exchange differences arising from translation of foreign operations		-	(2)
		-----	-----
<b>Total other comprehensive loss</b>		<b>-</b>	<b>(2)</b>
		-----	-----
<b>Total comprehensive loss for the year attributable to the shareholders</b>		<b>(1,486)</b>	<b>(9,261)</b>
		-----	-----
<b>Loss per Ordinary Share – basic and diluted</b>	<i>11</i>	<b>(2.97)p</b>	<b>(18.52)p</b>

*All the items in the above statement are derived from continuing operations.  
The accompanying notes on pages 15 to 30 form an integral part of these financial statements.*

**STATEMENT OF FINANCIAL POSITION**  
as at 31 March 2011

	<i>Note</i>	<i>31 March 2011</i> £'000	<i>31 March 2010</i> £'000
<b>Non-current assets</b>			
Investments designated at fair value through profit or loss	<i>13</i>	187	5,146
		-----	-----
<b>Current assets</b>			
Other receivables	<i>15</i>	12	13
Cash and cash equivalents		1,652	1,212
		-----	-----
		1,664	1,225
		-----	-----
<b>Total assets</b>		<b>1,851</b>	<b>6,371</b>
		-----	-----
<b>Current liabilities</b>			
Payables and accruals	<i>16</i>	(76)	(110)
		-----	-----
<b>Net assets</b>		<b>1,775</b>	<b>6,261</b>
		-----	-----
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	<i>17</i>	500	500
Other reserve		2,293	2,293
Distributable reserves		(1,018)	3,468
		-----	-----
<b>Total equity shareholders' funds</b>		<b>1,775</b>	<b>6,261</b>
		-----	-----
<b>Net Asset Value per Ordinary Share - basic and diluted</b>	<i>20</i>	<b>3.55p</b>	<b>12.52p</b>

*The financial statements on pages 11 to 30 were approved by the Board of Directors on 2 August 2011 and were signed on its behalf by*

R Davies  
Director

B Miller  
Director

2 August 2011

2 August 2011

*The accompanying notes on pages 15 to 30 form an integral part of these financial statements.*

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 March 2011

	<i>Share capital</i>	<i>Other reserve</i>	<i>Distributable reserves</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Balance at 31 March 2010</b>	500	2,293	3,468	6,261
Return of Capital	-	-	(3,000)	(3,000)
<i>Total comprehensive loss for the year</i>				
Loss for the year	-	-	(1,486)	(1,486)
Other comprehensive loss	-	-	-	-
<b>Balance at 31 March 2011</b>	500	2,293	(1,018)	1,775

**for the year ended 31 March 2010**

	<i>Share capital</i>	<i>Other reserve</i>	<i>Distributable reserves</i>	<i>Foreign exchange translation reserve</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Balance at 31 March 2009</b>	500	2,293	22,727	2	25,522
Return of Capital	-	-	(10,000)	-	(10,000)
<i>Total comprehensive loss for the year</i>					
Loss for the year	-	-	(9,259)	-	(9,259)
Other comprehensive income	-	-	-	(2)	(2)
<b>Balance at 31 March 2010</b>	500	2,293	3,468	-	6,261

*The accompanying notes on pages 15 to 30 form an integral part of these financial statements.*

**STATEMENT OF CASH FLOWS**  
for the year ended 31 March 2011

	<i>Year ended</i> <i>31 March 2011</i> £'000	<i>Year ended</i> <i>31 March 2010</i> £'000
<b>Cash flows from operating activities</b>		
Other income received	3	8
Investment Consultant's fees paid	-	(220)
Administration fees paid	(125)	(170)
Directors' remuneration paid	(136)	(164)
Audit fees paid	(23)	(66)
Other expenses paid	(126)	(359)
	-----	-----
<b>Net cash outflow from operating activities</b>	<b>(407)</b>	<b>(971)</b>
<b>Cash flows from investing activities</b>		
Sale of investments designated at fair value through profit or loss	3,847	7,569
	-----	-----
<b>Net cash inflow from investing activities</b>	<b>3,847</b>	<b>7,569</b>
<b>Cash flows from financing activities</b>		
Return of capital	(3,000)	(10,000)
	-----	-----
<b>Net cash outflow from investing activities</b>	<b>(3,000)</b>	<b>(10,000)</b>
	-----	-----
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>440</b>	<b>(3,402)</b>
	-----	-----
Cash and cash equivalents brought forward	1,212	4,930
Increase/(decrease) in cash and cash equivalents	440	(3,402)
Foreign exchange movement	-	(316)
	-----	-----
Cash and cash equivalents carried forward	<b>1,652</b>	<b>1,212</b>
	-----	-----

*The accompanying notes on pages 15 to 30 form an integral part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 March 2011

#### 1. General Information

The Company is an authorised closed-ended investment company domiciled and incorporated as a limited liability company in Guernsey.

The registered office of the Company is No 1. Le Truchot, St Peter Port, Guernsey, GY1 3JX.

The Company's Investing Policy is to manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2011. The Company's investment activities are self-managed.

The Company's Ordinary Shares and Warrants are traded on AIM, a market operated by the London Stock Exchange.

#### 2. Basis of Preparation

##### (a) Statement of compliance

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRSs"); they give a true and fair view and are in compliance with The Companies (Guernsey) Law, 2008, as amended.

The financial statements were authorised for issuance by the Board of Directors on 2 August 2011.

##### b) Basis of measurement

The financial statements are presented in Sterling, which is the Company's functional currency. All amounts are rounded to the nearest thousand. The financial statements have been prepared on a historic cost basis, as modified by the revaluation to fair value of certain financial assets and financial liabilities.

##### c) Use of judgements and estimates

The preparation of financial statements in conformity with IFRSs requires the Directors to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in notes 4 and 13. Actual results may differ from these estimates.

##### d) Changes and amendments to existing standards effective in the year commencing 1 April 2010

###### *i) Financial instruments: Recognition and measurement*

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss, as it relates to items that are held for trading, was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. Adoption did not have a significant impact on the Company's financial statements as financial instruments held by the Company are not held for trading.

###### *ii) Amendments to IFRS 7 Financial Instruments: Disclosure*

IFRS 7 (Amendment) 'Financial instruments: Disclosures'. The adoption of the amendment results in additional risk disclosures but does not have an impact on the Company's financial position or performance.

##### e) Standards, amendments and interpretations effective in the year commencing 1 April 2010 but not relevant

IAS 27	Consolidated and separate financial statements (effective from 1 July 2009) ( <i>revised</i> )
IAS 39	Financial Instruments: Recognition and measurement (effective from 1 July 2009) ( <i>amendment</i> )
IFRS 1	Additional exemptions for first-time adopters (effective from 1 January 2010) ( <i>amendments</i> )
IFRS 2	Group cash-settled share-based payment transactions (effective from 1 January 2010) ( <i>amendments</i> )
IFRS 3	Business combinations (effective 1 July 2009) ( <i>revised</i> )
IFRIC 17	Distributions of non-cash assets to owners (effective 1 July 2009)
IFRIC 18	Transfers of assets from customers (effective from 1 July 2009)
IAS 32	Financial instruments: Presentation - Classification of rights issues (effective from 1 February 2010) ( <i>amendments</i> )

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 March 2011

#### 2. Basis of Preparation *(continued)*

##### f) Standards, amendments and interpretations issued but not yet effective

The following standards, amendments and interpretations are not yet effective

IAS 24	Related party disclosures (effective from 1 January 2011) <i>(amendments)</i>
IAS 27	Consolidated and separate financial statements (effective from 1 July 2010) <i>(amendments)</i>
IFRS 1	First time adoption of IFRS - Limited exemption from comparative IFRS 7 disclosures for first time adopters (effective from 1 July 2010)
IFRS 3	Business combinations (effective from 1 July 2010) <i>(amendments)</i>
IFRS 9	Financial instruments: classification and measurement (effective from 1 January 2013) <i>(amendments)</i>
IFRIC 13	Customer loyalty programmes (effective from 1 January 2011) <i>(amendments)</i>
IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction (effective from 1 January 2011) (amendment)
IFRIC 19	Extinguishing financial liabilities with equity instruments (effective from 1 July 2010)

These standards are not expected to have a significant impact on the financial statements.

#### 3. Significant Accounting Policies

##### a) Income recognition

Interest income is recognised on an accruals basis using the effective interest method and includes bank interest and interest from debt securities.

Dividend income is recognised when the right to receive payment is established.

##### b) Expenses

All expenses are accounted for on an accruals basis and, with the exception of share issue costs, are charged through the Statement of Comprehensive Income in the period in which they are incurred.

##### c) Taxation

The Company has been granted exemption from Guernsey taxation under the terms of The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 so that the Company is exempt from Guernsey taxation on income arising outside Guernsey and bank interest receivable in Guernsey. The Company's Guernsey tax liability is therefore limited to a fixed fee of £600 per annum.

##### d) Investments designated at fair value through profit or loss

###### *Classification*

The Company classifies its investments in debt and equity securities, and related derivatives, as financial assets at fair value through profit or loss. These financial assets are designated by the Board of Directors at fair value through profit or loss on acquisition.

Financial assets designated at fair value through profit or loss on acquisition are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented Investing Policy. It is the Company's policy for the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

###### *Recognition/derecognition*

Regular-way purchases and sales of investments are recognised on the trade date - the date on which the Company commits to purchase or sell the investment.

A fair value through profit or loss asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when rights are realised, expire or are surrendered and the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership. Realised gains and losses on fair value through profit or loss assets sold are calculated as the difference between the sales proceeds and cost. Fair value through profit or loss assets that are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Company has transacted an unconditional disposal of the assets.

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2011

### 3. Significant Accounting Policies (continued)

#### d) Investments designated at fair value through profit or loss (continued)

##### *Measurement*

Financial assets designated at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed through the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented through the Statement of Comprehensive Income in the period in which they arise.

Interest income from financial assets designated at fair value through profit or loss is recognised through the Statement of Comprehensive Income within other income using the effective interest method. Dividend income from investments designated at fair value through profit or loss is recognised through the Statement of Comprehensive Income within other income when the Company's right to receive payments is established.

##### *Fair value estimation*

The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices at the financial reporting date. The quoted market price used for these financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, PLUS quoted securities and unquoted private companies) is determined by using valuation techniques in accordance with the International Private Equity and Venture Capital Valuation Guidelines. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each financial reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Notwithstanding the above, the variety of valuation bases adopted and the quality of management information provided by the underlying investments, means that there are inherent difficulties in determining the value of the investments. The amount realised on the sale of those investments may differ from the values reflected in these financial statements and the difference may be significant.

#### e) Cash and cash equivalents

Cash and cash equivalents, comprising cash balances and call deposits which are held to maturity, are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits, bank overdrafts and short-term highly liquid investments with original maturities of three months or less and subject to insignificant risk of changes in value.

#### f) Trade and other receivables

Trade and other receivables are carried at the original invoice amount, less allowance for doubtful receivables. Provision is made when there is objective evidence that the Company will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

#### g) Trade and other payables

Trade and other payables are carried at payment or settlement amounts. Where the time value of money is material, payables are carried at amortised cost.

#### h) Foreign currency translation

##### *Functional and presentation currency*

The Company's Ordinary Shares and Warrants are denominated in Sterling and are traded on AIM in Sterling. The primary activity of the Company is to invest in a portfolio of companies whose business operations are based in China. The performance of the Company is measured and reported to the investors in Sterling and the majority of the expenses incurred by the Company are in Sterling. Consequently, the Board of Directors considers that Sterling is the currency that most faithfully represents the effects of the underlying transactions, events and conditions. The financial statements are presented in Sterling, which is the Company's functional and presentation currency.

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 March 2011

### 3. Significant Accounting Policies (*continued*)

#### h) Foreign currency translation (*continued*)

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using rates approximating to the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised through the Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities, such as investments designated at fair value through profit or loss, are recognised through the Statement of Comprehensive Income within the net unrealised change in fair value of investments.

##### *Financial statements of foreign operations*

The income and expenses of foreign operations are translated into Sterling at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised through the Statement of Comprehensive Income in other comprehensive income.

In the 2009 consolidated financial statements, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, were translated into Sterling at the foreign exchange rates ruling at the financial reporting date. At 31 March 2010 and 2011 the Company had no foreign operations.

#### i) Net asset value and loss per share

The net asset value per Ordinary Share disclosed on the face of the Statement of Financial Position is calculated by dividing the net assets by the number of Ordinary Shares in issue at the year end.

Loss per Ordinary Share is calculated by dividing net loss for the year by the weighted average number of Ordinary Shares in issue during the year. Any dilutive effect of outstanding Warrants is reflected as additional share dilution in the computation of the net asset value per Ordinary Share and loss per Ordinary Share.

### 4. Critical Accounting Estimates and Judgements

The Board of Directors make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

#### *Fair Value of financial instruments*

The Company may, from time to time, hold financial investments that are not quoted in active markets. Fair values of such investments are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by the Board of Directors (see note 14).

#### *Functional currency*

The Board of Directors considers Sterling to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions (see note 3h).

### 5. Segmental Information

In accordance with International Financial Reporting Standard 8: *Operating Segments*, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board in order to assess each segment's performance and to allocate resources to them.

Management information for the Company as a whole is provided internally to the Directors for decision-making purposes. The Directors asset allocation decisions are based on a single, integrated investment strategy and the Company's performance is evaluated on an overall basis, being investment in a portfolio of companies whose business operations are focused in China.

The internal reporting provided to the Board for the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS.

There were no changes in the reportable segments during the year ended 31 March 2011.

All of the Company's investment portfolio income is derived from its investments whose business focus is in China. The only other revenue generated by the Company during the year was interest of £3,000 (2010: £7,000), arising from cash and

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2011

**5. Segmental Information (continued)**

cash equivalents, which was generated in Guernsey. The Company is domiciled in Guernsey.

The Company has a diversified shareholder population. However as at 31 March 2011 there were a number of Ordinary Shareholders whose percentage interest in the Company exceeded 3%. These shareholders are detailed in the Report of the Directors.

**6. Other Income**

	<i>Year ended</i> <i>31 March 2011</i>	<i>Year ended</i> <i>31 March 2010</i>
	<i>£'000</i>	<i>£'000</i>
Bank interest receivable	3	7
	-----	-----

**7. Administration Fees**

Elysium Fund Management Limited was entitled to an administration fee from the Company at a rate of 0.1% per annum (subject to a minimum of £125,000 per annum) of the Net Asset Value of the Company together with an amount equal to the long term borrowings invested by the Company calculated at the close of business on each Calculation Day, payable quarterly in arrears. From 1 January 2011, the minimum annual administration fee reduced to £100,000 per annum. No fee was charged for additional work performed in the year (2010: £45,000).

**8. Directors' Remuneration**

	<i>Year ended</i> <i>31 March 2011</i>	<i>Year ended</i> <i>31 March 2010</i>
	<i>£'000</i>	<i>£'000</i>
Rhys Davies	45	72
Brett Miller	45	72
Weiming Zhang	27	35
	-----	-----
	117	179
	-----	-----

No bonuses or pension contributions were paid or were payable on behalf of the Directors.

Details of the Directors' interests in the share capital are set out in the Report of the Directors.

At 31 March 2011, £8,000 (2010: £27,000) was due in respect of Directors' remuneration. This amount is included in payables and accruals.

**9. Other Expenses**

	<i>Year ended</i> <i>31 March 2011</i>	<i>Year ended</i> <i>31 March 2010</i>
	<i>£'000</i>	<i>£'000</i>
Nominated Adviser's and Nominated Broker's fees	25	30
Travel	23	82
Consultancy fees	21	26
Audit fees	18	36
Registrar fees	12	25
Custodian fees	11	9
Transaction costs	9	102
Directors' and Officers' liability insurance	9	10
Listing fees	8	11
Other expenses	5	64
	-----	-----
	141	395
	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2011

**10. Tax effects of other comprehensive income**

There are no tax effects arising from the other comprehensive income disclosed in the Statement of Comprehensive Income (31 March 2010: nil).

**11. Loss per Ordinary Share**

The loss per Ordinary Share of 2.97p (2010: 18.52p) is based on the loss for the year of £1,486,000 (2010: loss of £9,259,000) and on a weighted average number of 50 million Ordinary Shares in issue during the year (2010: 50 million Ordinary Shares).

The average price of the Ordinary Shares during the year, of 3.9p (2010: 15.99p), was less than the exercise price of the Warrants 120.00p (2010: 120.00p), which matured on 31 March 2011. Therefore, there was no dilution in the return per Ordinary Share.

**12. Dividends and Return of Capital**

During the year ended 31 March 2011 no dividend was paid to shareholders (2010: nil). The Directors do not propose a final dividend for the year ended 31 March 2011 (2010: nil).

During the year ended 31 March 2011, the Board returned a total of £3.0 million to shareholders, being 6.00p per Ordinary Share on 31 January 2011. Any further returns of capital will be at the sole discretion of the Board and will be subject to the rate at which the Company's investments are realised and the Company's financial position at the time.

**13. Investments Designated at Fair Value Through Profit or Loss**

	<i>Year ended</i> <i>31 March 2011</i>	<i>Year ended</i> <i>31 March 2010</i>
	<i>£'000</i>	<i>£'000</i>
<b><i>Designated at fair value through profit or loss:</i></b>		
Opening valuation	5,146	17,412
Sales proceeds	(3,847)	(4,375)
Realised loss from sale of investments	(5,565)	(11,303)
Net unrealised change in fair value of investments	4,453	3,412
	-----	-----
Closing valuation	187	5,146
	-----	-----
Closing book cost	7,712	17,124
Closing unrealised loss	(7,525)	(11,978)
	-----	-----
Closing valuation	187	5,146
	-----	-----

See note 3d and note 4 regarding the classification, recognition, derecognition, measurement and fair value estimation of financial assets designated at fair value through profit or loss.

***Associates***

Included in investments are the following associates which are accounted for as designated at fair value through profit or loss in accordance with the accounting policy set out in note 3d:

	<i>Country of incorporation</i>	<i>Currency of investment</i>	<i>Percentage Holding</i>	
Honest Mind Investments Limited ( <i>which invests in the Wan Wei Oil and Gas Technology Group</i> )	BVI	Sterling	-	conv loan notes
Starlight Viewpoint Limited ( <i>which invests in the Wan Wei Oil and Gas Technology Group</i> )	BVI	Sterling	24.0%	ordinary shares

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2011

**13. Investments Designated at Fair Value Through Profit or Loss (continued)**

During the year the Company disposed of all of its holding in the following associate which was accounted for as designated at fair value through profit or loss:

	<i>Country of incorporation</i>	<i>Currency of investment</i>	<i>Percentage Holding at 31 March 2010</i>	
China Real Estate Services Limited	China	Sterling	25.0%	ordinary shares

**14. Fair value of financial instruments**

IFRS 7 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on observable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

<i>Financial assets designated at fair value through profit or loss</i>	<i>Level 1 £'000</i>	<i>Level 2 £'000</i>	<i>Level 3 £'000</i>	<i>Total £'000</i>
31 March 2011 Investments	-	-	187	187
	-----	-----	-----	-----
31 March 2010 Investments	-	-	5,146	5,146
	-----	-----	-----	-----

***Fair value of unquoted and PLUS quoted securities***

The fair values of unquoted securities that are not quoted in active markets (Level 3) are determined by using valuation techniques in accordance with the International Private Equity and Venture Capital Valuation Guidelines. The valuations used to determine fair values are validated and periodically reviewed by experienced personnel. The valuations are based on a mixture of:

- third party financing (if available);
- cost, where the investment has been made during the year and no further information has been available to indicate that cost is not an appropriate valuation;
- proposed sale price;
- discount to NAV calculations;
- discount to last traded price;
- discounted cash flow; and
- discount to bid prices of PLUS quoted investments.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2011

**14. Fair value of financial instruments (continued)**

A reconciliation of the opening and closing balances of assets designated at fair value through profit or loss classified as Level 3 is shown below:

	<i>31 March 2011</i>	<i>31 March 2010</i>
	<i>£'000</i>	<i>£'000</i>
Fair value of Level 3 financial instruments at 1 April	5,146	13,802
Proceeds from sale of Level 3 financial instruments	(3,847)	(677)
Realised loss from sale of Level 3 financial instruments	(5,565)	(1,499)
Net unrealised change in fair value of Level 3 financial instruments	4,453	(6,480)
	-----	-----
Fair value of Level 3 financial instruments at 31 March	187	5,146
	-----	-----

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments consist of private equity investments. As observable prices are not available for these securities, the Company has used the valuation techniques detailed above to derive the fair value.

China CDM Exchange Centre has been valued using a 50% discount to bid price, supported by a discount to the last traded price and a discount to NAV calculation (2010: discount to NAV calculation). A 10% increase in the discount rate would result in an increase in value of the investment of £18,740 (2010: £238,596). A 10% decrease in the discount rate would have an equal but opposite effect.

The Directors have written down the value of the equity investment in Wan Wei Oil & Gas Technology Limited to nil, as the Directors do not envisage that the Company will receive any future cash flows from this investment. Therefore, a WACC decrease of 10% in the discounted cash flow model would have nil effect on its valuation (2010: increase of £16,997).

The Directors have written down the value of the convertible loan notes in Wan Wei Oil & Gas Technology Limited to nil, as the Directors do not envisage that the Company will receive any future cash flows from this investment. Therefore, an increase of 10% in the discount rate of the loan notes will have nil effect on its valuation (2010: decrease of £243,000).

10% represents the best estimate of a reasonable possible shift in the inputs to the calculations for the valuations of the investments.

**15. Other Receivables**

	<i>31 March 2011</i>	<i>31 March 2010</i>
	<i>£'000</i>	<i>£'000</i>
Other debtors and prepayments	12	13
	-----	-----

**16. Payables and Accruals**

	<i>31 March 2011</i>	<i>31 March 2010</i>
	<i>£'000</i>	<i>£'000</i>
Other creditors and accruals	76	110
	-----	-----

**17. Share Capital**

	<i>31 March 2011</i>	<i>31 March 2010</i>
	<i>£'000</i>	<i>£'000</i>
<i>Authorised:</i>		
200,000,000 Ordinary Shares of 1p	2,000	2,000
	-----	-----
<i>Allotted, called up and fully paid:</i>		
50,000,000 Ordinary Shares of 1p	500	500
	-----	-----

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 March 2011

#### 17. Share Capital (*continued*)

All the Ordinary Shares and Warrants were admitted to trading on AIM, a market operated by the London Stock Exchange, on 15 March 2006.

Pursuant to the authority renewed at the last Annual General Meeting, the Company has authority to utilise distributable reserves to buy back up to 14.99% of the Ordinary Shares in issue for cancellation. No shares were purchased for cancellation during the year. The Company intends to seek to renew the necessary authority to buy back Ordinary Shares at the forthcoming Annual General Meeting, to be held on 23 September 2011.

The Company is able to purchase up to 10% of the Ordinary Shares in issue and hold them as Treasury Shares.

#### 18. Warrants

Registered holders of the 10,000,000 Warrants had the right to subscribe for Ordinary Shares in the Company in cash from the date of Admission to 31 March 2011 for one Ordinary Share for each Warrant, for which they are the registered holders, at the exercise price of 120.00p per Ordinary Share. No Warrants were exercised during the year (2010: nil) and at the year end the Warrants were no longer in issue as, on 31 March 2011, the subscription period for the Warrants ended.

#### 19. Duration of the Company

At the Annual General Meeting held on 14 September 2010, the Investing Policy of the Company was changed to: “manage the sale of the Company’s investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2011.” In order to allow the Directors to try to realise value from the remaining holdings, it is proposed that the Investing Policy be amended to be:

“The Investing Policy of the Company is to manage the sale of the Company’s investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2012”.

There are no specific provisions for the life span of the Company. However, if the Company is still in existence, at the Annual General Meeting of the Company to be held following the seventh anniversary of the Company’s incorporation on 23 February 2006, an ordinary resolution will be proposed that the Company ceases to continue as presently constituted. If the resolution is not passed, a similar resolution will be proposed at every fifth Annual General Meeting thereafter. If the resolution is passed, the Directors shall formulate proposals to be put to the shareholders to reorganise, unitise, reconstruct or wind up the Company.

#### 20. Net Asset Value per Ordinary Share

##### *Basic*

The basic net asset value per Ordinary Share is based on the net assets attributable to equity shareholders of £1,775,000 (2010: £6,261,000) and on 50 million Ordinary Shares (2010: 50 million Ordinary Shares) in issue at the end of the year.

##### *Diluted*

The Warrants expired on 31 March 2011 and there were no other securities in issue which could have a dilutive effect on the Company’s Ordinary Shares. The share price of the Ordinary Shares at 31 March 2010 of 15.50p was below the exercise price of the Warrants of 120.00p. Therefore, as at 31 March 2010, the Warrants had no dilutive effect.

#### 21. Related Parties

Details of the investments in associates are disclosed in note 13.

Mr Davies and Mr Miller each hold 50% of Damille Partners II, which held 5,100,000 Ordinary Shares (10.20%) at 31 March 2011 and the date of signing this report. In addition, Damille Partners Limited (which is equally owned by the respective family interests of Mr Davies and Mr Miller) held 4,651,920 Ordinary Shares (9.30%) at 31 March 2011 and the date of signing this report. Damille Partners and Damille Partners II received £585,115 from the Return of Capital Scheme implemented during the year. The Directors’ remuneration is disclosed in note 8.

Details of the amounts paid to Elysium, the Company’s Administrator and Company Secretary, are disclosed in note 7.

The Directors consider that there is no immediate or ultimate controlling party.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2011

**22. Commitments and Contingencies**

There were no capital commitments as at 31 March 2011.

**23. Financial Instruments****Treasury policies**

The objective of the Company's treasury policies is to manage the Company's financial risk, secure cost effective funding for the Company's operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Company's financial assets and liabilities on reported profitability and on cash flows of the Company.

The Company finances its activities with cash and short-term deposits, with maturities of three months or less. Other financial assets and liabilities, such as receivables and payables, arise directly from the Company's operating activities. The Company does not trade in financial instruments. Derivative instruments may be used to change the economic characteristics of financial instruments in accordance with the Company's treasury policies, although no derivatives were in place during the year (2010: nil). The financial assets and liabilities of the Company were:

	<i>Total</i> £'000	<i>Loans and receivables</i> £'000	<i>Assets at fair value through profit or loss</i> £'000	<i>Other financial liabilities</i> £'000	<i>Non-financial assets / (liabilities)</i> £'000
<b>31 March 2011</b>					
<b>Financial assets</b>					
Investments designated at fair value through profit or loss	187	-	187	-	-
Other receivables	12	-	-	-	12
Cash and cash equivalents	1,652	1,652	-	-	-
	-----	-----	-----	-----	-----
	1,851	1,652	187	-	12
<b>Financial liabilities</b>					
Payables and accruals	(76)	-	-	(76)	-
	-----	-----	-----	-----	-----
	1,775	1,652	187	(76)	12
	-----	-----	-----	-----	-----
<b>31 March 2010</b>					
<b>Financial assets</b>					
Investments designated at fair value through profit or loss	5,146	-	5,146	-	-
Other receivables	13	-	-	-	13
Cash and cash equivalents	1,212	1,212	-	-	-
	-----	-----	-----	-----	-----
	6,371	1,212	5,146	-	13
<b>Financial liabilities</b>					
Payables and accruals	(110)	-	-	(110)	-
	-----	-----	-----	-----	-----
	6,261	1,212	5,146	(110)	13
	-----	-----	-----	-----	-----

The main risks arising from the Company's financial assets and liabilities are credit risk, liquidity risk and market risk, and are set out below, together with the policies currently applied by the Board for their management. Market risk comprises three types of financial risk, being interest rate risk, currency risk and other price risk, being the risk that the fair value or future cash flows will fluctuate because of changes in market prices other than from interest rate and currency risks.

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 March 2011

#### 23. Financial Instruments *(continued)*

##### **Credit risk**

The Company's credit risk is primarily attributable to its non-equity investments and cash and cash equivalents. Credit risks of new non-equity based investments are assessed before entering into such new contracts. As previously mentioned, following the change to the Investing Policy at the Annual General Meeting held on 14 September 2010, the Board intends to sell all of the investments by 30 September 2011. The Board does not intend to invest in any new investments.

The credit risk on cash and cash equivalents is limited by using banks with high credit ratings assigned by international credit-rating agencies.

At the year end the majority of cash and cash equivalents £1,583,000 (95.82%) was placed with HSBC Bank plc (2010: the highest concentration of credit risk was £1,206,000 (99.50%) placed with HSBC Bank plc). Details of the Company's exposure to non-equity based investments are disclosed in the Investment Portfolio on page 3. The credit rating for HSBC Bank plc by Moody's was Aa2 as at 31 March 2011.

##### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to settle its liabilities as and when they fall due. The Company has invested in private companies, which, by their very nature, are illiquid. However, in line with the Investing Policy, the Company sold two of its investments during the year and returned capital of £3 million to shareholders. Surplus funds from the sale of investments are retained by the Company to ensure that the Company maintains sufficient cash balances to meet its working capital requirements.

The contractual undiscounted cash flows of the Company's financial liabilities, which are equal to the fair value of the Company's financial liabilities, are all payable within three months to the sum of £76,000 (2010: £110,000).

The Board monitors the Company's liquidity position on a quarterly basis, and more regularly if considered necessary. In addition, the Company's Administrator continually monitors the Company's liquidity position and reports to the Board when appropriate.

##### **Market risk**

###### ***(i) Price risk***

The Company's securities are susceptible to price risk arising from uncertainties about future values of the investment securities. This price risk is the risk that the fair value or future cash flows will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual investment or financial instrument or its holder or factors affecting all similar financial instruments or investments traded in the market.

During the year under review, the Company did not hedge against movements in the value of its investments. A 10% increase/decrease in the fair value of investments would result in a £19,000 (1.06%) (2010: £515,000 (8.23%)) increase/decrease in the net asset value.

Following the change to the Investing Policy at the Annual General Meeting held on 14 September 2010, the Board intends to sell all of the investments by 30 September 2011. The Board does not intend to invest in any new investments.

Generally, the Company's investments in companies are difficult to value and there may be little or no protection for such investments. If an admission to trading on a stock exchange is not possible, investments may have to be held for an appreciable time. Sales of securities in private companies that fail to obtain an admission to trading may not be possible and, if possible, may only be feasible at substantial discounts.

At 31 March 2011, China CDM Exchange Centre represented a significant proportion of the Company's total assets (see the Investment Portfolio on page 3). As a result, the impact on the Company's performance and the potential returns to investors would be more adversely affected if this investment was to perform badly than would be the case if the Company's portfolio of investments was more diversified.

###### ***ii) Currency risk***

The Company holds assets (both monetary and non-monetary) denominated in currencies other than the functional currency (Sterling). It is therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies will fluctuate due to changes in exchange rates.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2011

**23. Financial Instruments (continued)****ii) Currency risk (continued)**

Foreign currency risk, as defined in IFRS 7, arises as the values of recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. The Company monitors the exposure on all foreign-currency-denominated assets and liabilities.

Because returns from the companies in which the Company invests may be received in Renminbi, the Sterling equivalent of the Company's net assets and distributions, if any, would be adversely affected by reductions in the value of Renminbi relative to Sterling.

The value of the Renminbi fluctuates and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies such as the US Dollar has been generally based on rates set by the People's Bank of China. In July 2005, China's government revalued the Renminbi and moved to a managed floating exchange rate with reference to a basket of currencies. Any future revaluation may materially and adversely affect an investee company's business.

Limited hedging transactions are currently available in China to reduce exposure to exchange rate fluctuations. While the Company may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and the Company may not be able to successfully hedge its exposure at all. In addition, the Company's currency exchange losses may be magnified by Chinese exchange control regulations that restrict its ability to convert Renminbi into other currencies.

Additionally, financial markets in many Asian countries have, in the past, experienced severe volatility. As a result, some Asian currencies have been subject to significant devaluation from time to time. The devaluation of some Asian currencies may have the effect of rendering exports from China more expensive and less competitive. An appreciation in the value of the Renminbi could have a similar effect.

The distribution of profits and dividends by companies in which the Company invests and the sale of these companies may be adversely affected if the Chinese government imposes greater control on the ability of the Renminbi to exchange into foreign currencies. There can be no assurance that the Company or the companies in which the Company invests will be able to obtain sufficient foreign exchange to pay dividends or satisfy other foreign exchange requirements in the future.

The table below identifies the exposure on all foreign-currency-denominated assets and liabilities:

	<i>Total</i>	<i>GBP</i>	<i>US Dollar</i>	<i>Renminbi</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>31 March 2011</b>				
<b>Financial assets</b>				
Investments designated at fair value through profit or loss	187	187	-	-
Cash and cash equivalents	1,652	1,651	1	-
	-----	-----	-----	-----
<b>Total financial assets</b>	1,839	1,838	1	-
<b>Non-financial assets</b>				
Other receivables	12	12	-	-
	-----	-----	-----	-----
<b>Total assets</b>	1,851	1,850	1	-
	-----	-----	-----	-----
<b>Financial liabilities</b>	(76)	(76)	-	-
	-----	-----	-----	-----
<b>Net assets</b>	1,775	1,774	1	-
	-----	-----	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2011

**23. Financial Instruments (continued)****ii) Currency risk (continued)**

	<i>Total</i> £'000	<i>GBP</i> £'000	<i>US Dollar</i> £'000	<i>Renminbi</i> £'000
<b>31 March 2010</b>				
<b>Financial assets</b>				
Investments designated at fair value through profit or loss	5,146	1,125	-	4,021
Cash and cash equivalents	1,212	1,211	1	-
<b>Total financial assets</b>	<u>6,358</u>	<u>2,336</u>	<u>1</u>	<u>4,021</u>
<b>Non-financial assets</b>				
Other receivables	13	13	-	-
<b>Total assets</b>	<u>6,371</u>	<u>2,349</u>	<u>1</u>	<u>4,021</u>
<b>Financial liabilities</b>	(110)	(110)	-	-
<b>Net assets</b>	<u>6,261</u>	<u>2,239</u>	<u>1</u>	<u>4,021</u>

**Sensitivity analysis**

A 10% strengthening of Sterling against each currency as at 31 March 2011 would have decreased the net assets attributable to shareholders and increased the loss for the year per the Statement of Comprehensive Income by the amounts shown below. This analysis assumes that all other variables remain constant. 10% represents the best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

	<i>31 March 2011</i> £'000	<i>31 March 2010</i> £'000
US Dollar	-	-
Singapore Dollar	-	-
Renminbi	-	(402)
<b>Total</b>	<u>-</u>	<u>(402)</u>

A weakening of Sterling against each currency would have an equal but opposite effect.

**iii) Interest rate risk**

The Company currently funds its operations through the use of retained earnings and equity. Cash at bank, the majority of which was in Sterling at the year end, is held at variable rates. At the year end, the Company's financial liabilities did not suffer interest and thus were not subject to any interest rate risk. Ignoring any impact on foreign exchange rates or the prices of the investments, an increase of 1% in interest rates would have lessened the loss for the year ended 31 March 2011 by £14,000 (2010: £31,000). A reduction of 1% in interest would have an equal but opposite effect.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 March 2011

**23. Financial Instruments (continued)****iii) Interest rate risk**

The interest rate risk profile of the Company's assets and liabilities at the year end was:

	<i>Total</i> £'000	<i>Fixed</i> <i>rate</i> £'000	<i>Floating</i> <i>rate</i> £'000	<i>Assets on</i> <i>which no</i> <i>interest is</i> <i>received</i> £'000	<i>Weighted</i> <i>average</i> <i>interest rate</i> %	<i>Weighted</i> <i>average</i> <i>period until</i> <i>maturity</i> <i>years</i>
<b>31 March 2011</b>						
<b>Financial assets</b>						
Investments at fair value through profit or loss	187	-	-	187	-	n/a
Cash and cash equivalents	1,652	-	1,578	74	-	n/a
<b>Total financial assets</b>	<b>1,839</b>	<b>-</b>	<b>1,578</b>	<b>261</b>		
<b>Non-financial assets</b>						
Other receivables	12	-	-	12	-	n/a
<b>Total assets</b>	<b>1,851</b>	<b>-</b>	<b>1,578</b>	<b>273</b>		
<b>Financial liabilities</b>						
	(76)	-	-	(76)	-	n/a
<b>Net assets</b>	<b>1,775</b>	<b>-</b>	<b>1,578</b>	<b>197</b>		
<b>31 March 2010</b>						
<b>Financial assets</b>						
Investments at fair value through profit or loss	5,146	-	-	5,146	-	n/a
Cash and cash equivalents	1,212	-	1,200	12	-	n/a
<b>Total financial assets</b>	<b>6,358</b>	<b>-</b>	<b>1,200</b>	<b>5,158</b>		
<b>Non-financial assets</b>						
Other receivables	13	-	-	13	-	n/a
<b>Total assets</b>	<b>6,371</b>	<b>-</b>	<b>1,200</b>	<b>5,171</b>		
<b>Financial liabilities</b>						
	(110)	-	-	(110)	-	n/a
<b>Net assets</b>	<b>6,261</b>	<b>-</b>	<b>1,200</b>	<b>5,061</b>		

As the Company's interest rate risk exposure is minimal, it has not entered into any derivative transactions to further reduce the interest rate risk.

**24. Other Risks****Chinese Legal System and Enforcement**

Chinese law governs almost all of the Company's investments' material agreements. It cannot be guaranteed that the investee companies will be able to enforce any of their material agreements or that remedies will be available either inside or outside China. This potential inability of the investee companies to enforce or obtain a remedy under any of its agreements could result in a significant loss of business, business opportunities or capital. Intellectual property rights and confidentiality protections in particular may not be as effective as in the UK or other countries.

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 March 2011

#### 24. Other Risks (continued)

##### **Chinese Legal System and Enforcement (continued)**

Despite significant improvement in its developing legal system, China does not yet have a comprehensive system of laws and those laws and regulations governing economic matters in general may also change frequently. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. The effect of future developments in the Chinese legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof or the pre-emption of local regulations by national laws cannot be predicted. These uncertainties limit the legal protections available to the Company and the Company could face significant difficulties enforcing its agreements and rights, or realising its assets.

The Chinese Government has brought in a number of measures to regulate investment by foreigners in Chinese assets and their listing outside China. The impact of these various rules is to restrict the ability of non-Chinese investors to acquire assets in China, and for Chinese businesses to list outside China. These regulations considerably restrict the range of assets that non-Chinese investors, such as the Company, can invest in.

##### **China's Economic, Political and Social Conditions**

The Company's return on its investments and prospects are subject, to a significant extent, to economic, political and social developments in China and the Asia-Pacific region. In particular, the Company's return on its investments may be adversely affected by:

- changes in China's political, economic and social conditions;
- changes in China's economic or social priorities;
- changes in policies of the government or changes in laws and regulations, or the interpretation of laws and regulations;
- regulations governing the sale or purchase of assets to or by foreign investors;
- regulations governing the listing or sale of Chinese assets outside China;
- changes in foreign exchange regulations;
- measures that may be introduced to control inflation, such as interest rate increases;
- changes in the rate or method of taxation;
- natural and man-made disasters within China;
- changes to, or enforcement of, environmental regulations; and
- changes to the environment within China.

The Chinese economy is dependent on the import of significant quantities of natural resources, particularly energy and those related to the construction of infrastructure. Increases in, or shortage of supplies of, these natural resources could have a significant negative impact on the performance of the Chinese economy, and of the Company's investments.

China has for the last few years received significant inflows of capital from overseas, which have contributed significantly to the growth of the Chinese economy and the build up of its foreign reserves. It is unclear how much of this capital is long-term, and were the capital providers to decide to withdraw their capital, it could cause significant problems for the Chinese economy, its exchange rate, and impact on the value of the Company's investments and its ability to realise cash.

China is an amalgamation of a number of different races and cultures. The country has a history of instability and fragmentation, and there have recently been increasing moves towards independence in a number of regions in China. Were these issues to escalate, they could have an impact on the value of the Company's investments.

China is a member of the World Trade Organisation and has seen a number of benefits from its membership and free trade agreements, particularly in relation to its manufacturing sector which makes significant sales overseas, employing large numbers of Chinese and boosting China's foreign currency reserves and the economy as a whole. The Chinese economy and the value of the Company's investments could be adversely affected by changes to the global trading environment and any restrictions placed on the export/import of Chinese goods.

China is situated in a region which is developing rapidly and experiencing shifts of power, causing security concerns and conflicts over scarce resources. The Company's investments would be adversely affected by any hostilities or armed conflicts in the region.

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 March 2011

#### 25. Capital Management Policy and Procedures

The Company's capital management objectives are to ensure that the Company will be able to continue as a going concern in order to maximise total return for shareholders and to maintain an optimal capital structure to minimise the cost of capital.

The Company's borrowing policy, for investment or short-term funding purposes, is that it should borrow no more than 10% of net asset value, calculated at the time of borrowing.

The Board monitors and reviews the structure of the Company's capital on an ad hoc basis. This review includes:

- the current and future levels of gearing;
- the need to buy back Ordinary Shares for cancellation or to be held in treasury, which takes account of the difference between the net asset value per Ordinary Share and the Ordinary Share price;
- the current and future dividend policy; and
- the current and future return of capital policy.

The Company is not subject to any externally imposed capital requirements.

#### 26. Events After the Financial Reporting Date

On 8 June 2011, the Board announced that the Company would pay a further return of capital of 1.50p per Ordinary Share to shareholders on 6 July 2011.

The Directors have actively sought to dispose of the Company's holding in China CDM Exchange Centre Limited ("CCEC"). Since November 2010, all efforts to seek trade, corporate or investment buyers have been unsuccessful. Therefore, the Board attempted to distribute the majority of the Company's holding in CCEC to the Company's shareholders. However, the management of CCEC refused to sanction the transfer of shares, which was in breach of PLUS Rule 3, and as a result, on 24 March 2011, CCEC was suspended from trading on PLUS. This transfer was recently resolved, and, on 28 July 2010, the Company announced that it was to distribute 9,364,963 shares in CCEC by way of a distribution in specie to shareholders in the Company. Accordingly, 9,364,963 shares in CCEC, being the bulk of the Company's holding, have been transferred to shareholders in the Company who were on the register as at 5 p.m. on 4 July 2011. Shareholders will have received 0.1873 CCEC shares for every 1 China Growth Opportunities Limited Ordinary Share held. Based on the mid-market price per CCEC share of 3.5p as at close of business on 27 July 2011, this return of capital is equal to approximately 0.65 pence per China Growth Opportunities Limited Ordinary Share. Given that the transfer has now taken place, we expect CCEC's suspension from trading on PLUS to be lifted shortly.

Fractional entitlements were not issued to the Company's shareholders and all fractional entitlements to which holders of the Company's shareholders would have become entitled were rounded down and retained by the Company. The Company has retained 4,937 shares in CCEC as a result of these fractional entitlements.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fifth ANNUAL GENERAL MEETING of CHINA GROWTH OPPORTUNITIES LIMITED will be held at No. 1 Le Truchot, St Peter Port, Guernsey, GY1 3JX on 23 September 2011 at 9:30am for the following purposes:

### Resolution on form of proxy

#### As ordinary business:

##### Ordinary Resolution 1

To receive and, if thought fit, to accept the reports of the Directors and Auditors and the audited financial statements for the year ended 31 March 2011.

##### Ordinary Resolution 2

To reappoint PricewaterhouseCoopers CI LLP as Auditors and to authorise the Directors to agree their remuneration.

##### Ordinary Resolution 3

To re-elect Mr Davies, who offers himself for re-election, as a Director.

#### As special business:

##### Ordinary Resolution 4

That the Company be and is hereby generally and unconditionally authorised in accordance with The Companies (Guernsey) Law, 2008, as amended, to make market purchases, as defined in that Law, of and cancel its Ordinary Shares of 1p each, provided that:

- (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 7,495,000;
- (ii) the minimum price which may be paid for an Ordinary Share shall be 1p;
- (iii) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 115% of the average of the middle market quotations for an Ordinary Share taken from and calculated by reference to the London Stock Exchange Alternative Investment Market Daily Official List for the five business days immediately preceding the date on which the Ordinary Share is purchased;
- (iv) the price paid per Ordinary Share shall be less than the last publicly announced net asset value per Ordinary Share;
- (v) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2012, unless the authority is renewed prior to such time; and
- (vi) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

##### Ordinary Resolution 5

That the Investing Policy of the Company be amended to be: "The Investing Policy of the Company is to manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2012".

By order of the Board

**Elysium Fund Management Limited**, Secretary  
2 August 2011

Registered office:  
No. 1 Le Truchot  
St Peter Port  
Guernsey  
GY1 3JX

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his or her stead. A proxy need not also be a member of the Company. To be effective, forms of proxy must be lodged with the Company's Secretary, Elysium Fund Management Limited, not less than 48 hours before the time appointed for holding the meeting. Lodgement of the form of proxy will not preclude a shareholder from attending the meeting and voting in person.

Note:

The following documents will be available for inspection at the registered office of the Company during usual business hours on any weekday (except Saturdays, Sundays and public holidays) until the date of the meeting and at the place of the meeting for a period of 15 minutes prior to and during the meeting:

- a) A statement of Directors' interests in the share capital of the Company; and
- b) The Articles of Incorporation.



**FORM OF PROXY**

For use at the ANNUAL GENERAL MEETING (Block capitals please)

I/We, the undersigned, .....

Of .....

being a member / members of China Growth Opportunities Limited, hereby appoint the Chairman of the meeting/

.....  
as my/our proxy to vote for me/us on my/our behalf at No. 1 Le Truchot, St Peter Port, Guernsey, GY1 3JX on 23 September 2011 at 9:30am and at any adjournment thereof and at his discretion on any other matter arising at such meeting.

Signature.....

Dated.....

Please indicate with an X in the spaces below how you wish your votes to be cast.

		<b>For</b>	<b>Against</b>	<b>Abstain</b>
Ordinary Resolution 1	To receive and, if thought fit, to adopt the reports of the Directors and Auditors and the audited financial statements for the year ended 31 March 2011.			
Ordinary Resolution 2	To reappoint PricewaterhouseCoopers CI LLP as Auditors and to authorise the Directors to agree their remuneration.			
Ordinary Resolution 3	To re-elect Mr Davies, who offers himself for re-election as a Director.			
Ordinary Resolution 4	To authorise the Company to buy back its own shares for cancellation.			
Ordinary Resolution 5	To amend the Investing Policy to be: "The Investing Policy of the Company is to manage the sale of the Company's investment portfolio and to maximise the return of invested capital to shareholders during the period ending on 30 September 2012".			

Notes

1. A member may appoint a proxy of his or her own choice. If such an appointment is made, delete the words 'the Chairman of the meeting' and insert the name of the person appointed proxy in the space provided.
2. If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
3. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all joint holders should be stated.
4. If this form is returned without any indication as to how the person appointed proxy shall vote, he or she will exercise his or her discretion as to how he or she votes or whether he or she abstains from voting.
5. To be valid, this form must be completed and deposited at the office of the Company's Secretary not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.



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**Elysium Fund Management Limited**  
**PO Box 650**  
**No. 1 Le Truchot**  
**St Peter Port**  
**Guernsey, GY1 3JX**

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## DIRECTORS

**Rhys Davies** (*Executive Chairman*)

**Brett Miller** (*Executive Director*)

**Weiming Zhang** (*Non-Executive Director*)

## ADVISERS

### **Administrator, Secretary and Registered Office**

Elysium Fund Management Limited  
PO Box 650  
No. 1 Le Truchot  
St Peter Port  
Guernsey  
GY1 3JX

### **Registrar**

Capita Registrars (Guernsey) Limited  
Longue Hougue House  
St Sampsons  
Guernsey  
GY2 4JN

### **Custodian and Settlement Agent**

Butterfield Bank (Guernsey) Limited  
Regency Court  
Gategny Esplanade  
St Peter Port  
Guernsey  
GY1 3AP

### **English Legal Adviser to the Company**

Stephenson Harwood  
One St Paul's Churchyard  
London  
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